Fall 2014

Report of the Commissioner of the Environment and Sustainable Development

The Commissioner's Perspective

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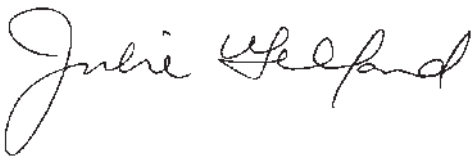
Commissioner of the Environment and Sustainable Development of Canada
Commissaire à l'environnement et au développement durable du Canada
Office of the Auditor General of Canada • Bureau du vérificateur général du Canada

To the Honourable Speakers of the House of Commons and the Senate:

On behalf of the Auditor General of Canada, I have the honour to transmit herewith this Fall 2014 Report, which is to be laid before the House and the Senate, in accordance with subsection 23(5) of the *Auditor General Act*.

Yours sincerely,



Julie Gelfand
Commissioner of the Environment
and Sustainable Development

OTTAWA, 7 October 2014

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This report, my first as Commissioner of the Environment and Sustainable Development, builds on work that was started by my two immediate predecessors, Scott Vaughan and Neil Maxwell. I want to recognize their contribution to this report and thank them for their ongoing support.

Having worked in the federal government, as well as in national and international conservation organizations, and in the mining industry, I understand the importance and benefits of bringing together different perspectives to the issues of environment and development. It is clear to me that a prosperous economy, a vibrant society, and a healthy environment complement each other. During my mandate, I intend to focus on the federal role in promoting sustainable, long-term development that meets the needs of current generations and does not compromise the ability of future generations to meet theirs. It is an honour to work at the Office of the Auditor General of Canada, and I look forward to serving parliamentarians in this important role.

This year's report covers separate audits on the federal government's actions related to

- the reduction of greenhouse gas emissions,
- environmental monitoring of oil sands development,
- marine navigation in the Canadian Arctic,
- the implementation of the *Canadian Environmental Assessment Act, 2012*, and
- selected federal departments' progress in integrating environmental considerations into their policies, plans, and programs through their strategic environmental assessment processes.

Although the activities we audited can appear very different on the surface, they all raise a similar question: Are federal departments prepared to meet the challenges of the future? For example, are they gathering sufficient information to manage the environmental and social risks that economic development can bring, particularly in the natural resources sector? And if so, are they acting on this information to reduce these risks?

These are important questions. Left unmanaged, today's environmental risks will impose future economic and social costs. The recent breach of the tailings pond dam at the Mount Polley mine, the ongoing Giant Mine Remediation Project, the Sydney Tar Ponds cleanup, and the collapse of the northern cod fishery remind us that the social and economic costs of ineffective resource management can be substantial and long-lasting. In addition, without meaningful engagement of local communities, industry players, environmental organizations, and Aboriginal peoples, resource development projects will lack the support that is needed to proceed.

To encourage sound economic development and promote the prosperity of future generations, today's decisions need to be based on information that is sufficient and adequate to mitigate both present and future environmental and social risks.

Some progress has been made

Our audits found that the federal government is making progress on some of these issues. For example, the federal government is working with the province of Alberta to lay the groundwork for more comprehensive monitoring of the environmental effects of oil sands development. If this program, which is industry-funded, is fully implemented as planned, it will result in more frequent monitoring of more environmental parameters over a greater geographic area. These results are important because oil sands development has been proceeding rapidly, a situation that has raised numerous environmental concerns, particularly about cumulative impacts.

In the Arctic, Environment Canada has significantly improved weather and ice information to support increased marine navigation and international commitments. Although marine traffic remains low, potential oil and gas and mining development, expanding northern communities, growing tourism, and shrinking ice cover are all expected to contribute to increased Arctic shipping in the future. Since increased vessel traffic may pose a risk to the environment, the federal government is putting in place meteorological support systems that advance the safety of navigation in these vast, remote, and operationally hazardous waters.

These are noteworthy initiatives. But our audits in this report show that there is still work to be done.

Information for decision making

We need sound information to ensure that the resources developed today yield lasting social and economic benefits without imposing unacceptable environmental costs in the future.

Environmental assessment is an important tool to inform decision makers of the anticipated environmental effects of projects and to identify measures to prevent or mitigate these effects. In 2012, Parliament enacted a new *Canadian Environmental Assessment Act*, in part to focus on major projects in areas of federal jurisdiction with the greatest potential for significant adverse environmental impacts. However, the criteria that were applied to determine which projects should be subject to the Act are not well-documented, nor are they comprehensive. As a result, some projects with potentially significant environmental effects may be excluded from federal assessment without an explicitly stated rationale. I am concerned that, as a consequence, some significant projects will not be adequately assessed and that decision makers will therefore lack the information they require to mitigate environmental impacts.

While an environmental assessment applies to physical projects, a strategic environmental assessment (SEA) is intended to integrate environmental considerations in decisions on policies, programs, and plans. Cabinet first mandated SEAs in 1990 for all decisions going to ministers and updated its directive most recently in 2010. Section 5 of the *Federal Sustainable Development Act,* 2008 states that "the Government of Canada . . . acknowledges the need to integrate environmental, economic and social factors in the making of all decisions by government." By conducting strategic environmental assessments of policies, programs, and plans, departments can identify environmental risks and opportunities in advance of implementation and adapt their proposals accordingly.

A properly functioning SEA process is therefore a vital tool in promoting environmentally sustainable economic and social development. After a long period of unsatisfactory progress, departmental processes supporting this tool have undergone several important improvements. These improvements include public reporting on the extent and results of SEA practices, quarterly reporting to senior management, and the introduction of sustainable development assessment tools that consider environmental, social, and economic implications of proposals. However, three out of the five departments examined this year have not established processes to apply strategic environmental assessments to proposals going to ministers for approval.

In 15 of the 47 preliminary environmental scans we reviewed, reasons provided for not conducting a detailed SEA were inconsistent with the criteria in the Cabinet Directive. As a result, federal departments and agencies applying SEA are still not fully meeting the directive's spirit and intent.

Insufficient information on environmental risks reduces the government's ability to avoid or minimize these risks. While these risks may initially be seen as environmental—a damaged ecosystem, an oil spill—they almost always impose economic and social costs.

Acting on information

At the 2009 Climate Change Conference in Copenhagen, the Government of Canada committed to reduce greenhouse gas (GHG) emissions 17 percent from 2005 levels by 2020. Environment Canada's latest projections show that Canada will not likely meet its commitment. The federal government has chosen to reduce GHG emissions by establishing regulations on a sector-by-sector basis. It has introduced several such regulations to date, notably in the transportation and the electricity generation sectors. In 2006, the government first announced its intent to regulate GHG emissions from the oil and gas industry but has not yet done so even though emissions are growing fastest in this sector.

If Canada does not honour its climate change commitments, it cannot expect other countries to honour theirs. If countries fail to reduce their emissions, the large environmental and economic liabilities we will leave our children and our grandchildren—such as more frequent extreme weather, reduced air quality, rising oceans, and the spread of insect-borne diseases—will likely outweigh any potentially positive effects, such as a longer growing season.

Engaging Canadians

The best decisions are made when people with various perspectives sit at the same table, listening to each other, learning, and coming to consensus where possible. I know from experience the benefits of reconciling different perspectives on an issue: a more thorough analysis of relevant factors, better decisions, and greater public support for these decisions. Federal policies and legislation recognize the importance of stakeholder engagement *in principle*, but *in practice* the issues we audited this year show that the government could do better in this important area. For example, many stakeholders have noted that they can no longer participate meaningfully in federal environmental assessments

because they lack the capacity to respond. Stakeholders have also indicated that they are further restricted by the shorter timelines the government has set for environmental assessments. These constraints reduce stakeholder contributions, including **Traditional Ecological Knowledge**, and diminish public confidence in the process.

Traditional Ecological Knowledge (TEK)—A cumulative body of knowledge and beliefs, handed down through generations by cultural transmission, about the relationship of living things (including humans) with one another and their environment. It includes the knowledge of elders, current land users, and other community members. Traditional knowledge is an attribute of societies with historical continuity in resource use practices.

Source: Aboriginal Affairs and Northern Development Canada

To make the best decisions, the government needs to engage citizens and share information. In several of the activities we audited this year, I note that the government consulted only narrowly (for example, on its proposed oil and gas GHG regulations) and did not explain its decisions (for example, on how it developed the list of projects that would be subject to environmental assessment under the *Canadian Environmental Assessment Act, 2012*).

Public participation is not just a value Canadians cherish in our democratic system, it is also an essential attribute of sustainable development. Without sufficient information and engagement, Canadians have fewer opportunities to communicate their concerns to decision makers and fewer opportunities to legitimize future resource development decisions.

Conclusion

Canadians expect the government to prepare for the future. We know that the difficulty of addressing climate change will only grow the longer we wait to act. We know that the environmental footprint of oil sands development is steadily increasing. We know that Arctic shipping routes will gain popularity as Arctic sea ice melts, increasing environmental risks in that fragile ecosystem. In each case it is likely that a lack of action today will translate into higher costs tomorrow.

To address these issues, the government needs to know

- how it will reach its GHG emission targets,
- what services it will provide in the Arctic to support increased navigation and minimize environmental risk, and
- what Environment Canada's role will be in future oil sands environmental monitoring.

Given the stakes involved, Canadians need answers to these questions.

To prepare for resource development, federal departments need to take a more integrated approach to decision making, one that recognizes the many linkages between the economy, the environment, and society. They can do this by investing in better information, acting on the knowledge they acquire, and engaging Canadians in their decisions.

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